

**THE SECOND JUDICIAL DISTRICT COURT
PARISHES OF BIENVILLE, CLAIBORNE
AND JACKSON, LOUISIANA**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Annual Financial Report
June 30, 2013

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THE SECOND JUDICIAL DISTRICT COURT
PARISHES OF BIENVILLE, CLAIBORNE
AND JACKSON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Second Judicial District Court's financial performance presents a narrative overview and analysis of the District Court's financial activities for the year ended June 30, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Second Judicial District Court's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The District Court's assets exceeded its liabilities (net position) by \$779,817 on June 30, 2013, and \$788,084 on June 30, 2012. Total net position is comprised of the following:

	<u>2013</u>	<u>2012</u>
Capital assets, net of accumulated depreciation	\$ 15,970	\$ 21,313
Unrestricted net position which represent the portion available to maintain continuing obligations to citizens and creditors	<u>763,847</u>	<u>766,771</u>
Total	<u>\$779,817</u>	<u>\$788,084</u>

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities provide information about the activities of the District Court as a whole and present a longer-term view of the District Court's finances. These statements tell how the services were financed in the short-term as well as what remains for future spending.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities. The District Court uses funds to ensure and demonstrate compliance with finance related laws and regulations. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources at the end of the year. As the Government-Wide Financial Statements includes the long-term view, comparisons between these two views may provide insight into the long-term impact of short-term financing decreases. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the difference between these two views.

OTHER INFORMATION

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Total governmental funds had an ending fund balance of \$763,847 at June 30, 2013, and \$766,771 at June 30, 2012.

FINANCIAL ANALYSIS OF THE DISTRICT COURT AS A WHOLE

Changes in net position may be observed and used to discuss the changing financial position of the District Court as a whole. The following provides a summary of the District Court's net position:

Summary of Net Position

	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash & Cash Equivalents	\$754,829	\$757,706
Receivables	28,766	29,006
Capital Assets (net)	<u>15,970</u>	<u>21,313</u>
Total Assets	<u>\$799,565</u>	<u>\$808,025</u>
LIABILITIES:		
Accounts Payable	\$ 10,945	\$ 12,149
Accrued Expenses	<u>8,803</u>	<u>7,792</u>
Total Liabilities	<u>\$ 19,748</u>	<u>\$ 19,941</u>
NET POSITION:		
Invested in Capital Assets	\$ 15,970	\$ 21,313
Unrestricted Net Position	<u>763,847</u>	<u>766,771</u>
Total Net Position	<u>\$779,817</u>	<u>\$788,084</u>

The District Court continues to maintain operations with no long-term debt. This is an indication of the District Court's ability to pay its obligations as they become due.

The following table provides a summary of the District Court's changes in net position:

	<u>2013</u>	<u>2012</u>
REVENUES:		
Program Revenues:		
Fees, fines & Charges for Services	\$551,039	\$521,151
Operating and Capital Grants	126,732	120,943
General Revenues:		
Miscellaneous	<u>14,218</u>	<u>23,097</u>
Total Revenues	<u>\$691,989</u>	<u>\$665,191</u>
EXPENSES:		
Judicial	<u>700,256</u>	<u>719,224</u>
Change in Net Position	\$ (8,267)	\$ (54,033)
Beginning Net Position	<u>788,084</u>	<u>842,117</u>
Ending Net Position	<u>\$779,817</u>	<u>\$788,084</u>

BUDGETARY HIGHLIGHTS

In addition to the basic financial statements and accompanying notes, this report also presents Other Required Supplementary Information consisting of a comparison of budgeted revenues and expenditures to actual revenues and expenditures. For the General Fund, the actual revenues were \$5,672 more than the budgeted amount for the year and expenditures were \$53,168 less than the budgeted amount for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary revenue source is fees and fines received from the civil and criminal court fees. As there are minimal changes expected in the next fiscal year, the budget for FY 2013/2014 should not significantly differ from FY 2012/2013.

CONTACTING THE DISTRICT COURT OFFICE

This financial report is designed to provide a general overview of the District Court's finances, compliance with governmental financial reporting laws and regulations and demonstrate the District Court's commitment to public accountability. If you have additional questions about this report or would like to request additional information, contact the Honorable Jenifer Clason, at Courthouse, Homer, Louisiana, 71040.

Johnson, Thomas & Cunningham

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Jenifer Clason, Chief Judge
The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Second Judicial District Court (District Court) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District Court's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, , each major fund and the aggregate remaining fund information of the District Court as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is presented for purposes of additional analysis and is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the introductory section because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District Court's basic financial statements. The budgetary comparison listed as required supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District Court's internal control over financial reporting and compliance.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 11, 2013

Natchitoches, Louisiana

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Net Position
June 30, 2013

	Governmental <u>Activities</u>
ASSETS:	
Current Assets-	
Cash & Cash Equivalents	\$754,829
Revenue Receivables	<u>28,766</u>
Total Current Assets	\$783,595
Noncurrent Assets-	
Capital Assets (Net)	<u>15,970</u>
Total Assets	<u>\$799,565</u>
LIABILITIES:	
Accounts Payable	\$ 10,945
Accrued Expenses	<u>8,803</u>
Total Liabilities	<u>\$ 19,748</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 15,970
Unrestricted	<u>763,847</u>
Total Net Position	<u>\$779,817</u>

The accompanying notes are an integral part of this statement.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Activities
June 30, 2013

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Fees, Fines, Commissions, And Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Judicial	<u>\$700,256</u>	<u>\$551,039</u>	<u>\$126,732</u>	<u>\$0</u>	<u>\$ (22,485)</u>
General Revenues:					
		Interest Income			\$ 6,206
		Miscellaneous			<u>8,012</u>
		Total General Revenues			<u>\$ 14,218</u>
		Change in Net Position			\$ (8,267)
		Net Position at Beginning of Year			<u>788,084</u>
		Net Position at End of Year			<u>\$779,817</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Balance Sheet-Governmental Funds
June 30, 2013

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue Funds</u>		<u>FINS</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Probation</u>	<u>IV-D</u>	<u>Fund</u>	<u>Funds</u>
		<u>Fund</u>	<u>Collection Fund</u>		
ASSETS:					
Cash & Cash Equivalents	\$312,490	\$328,460	\$58,239	\$55,640	\$ 754,829
Revenue Receivables	<u>28,766</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,766</u>
Total Assets	<u>\$341,256</u>	<u>\$328,460</u>	<u>\$58,239</u>	<u>\$55,640</u>	<u>\$ 783,595</u>
LIABILITIES:					
Accounts Payable	\$ 10,945	\$ 0	\$ 0	\$ 0	\$ 10,945
Accrued Expenses	<u>8,332</u>	<u>471</u>	<u>0</u>	<u>0</u>	<u>8,803</u>
Total Liabilities	<u>\$ 19,277</u>	<u>\$ 471</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,748</u>
FUND BALANCE:					
Restricted for:					
Special Purposes	\$ 0	\$327,989	\$58,239	\$55,640	\$ 441,868
Unassigned	<u>321,979</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>321,979</u>
Total Fund Balances	<u>\$321,979</u>	<u>\$327,989</u>	<u>\$58,239</u>	<u>\$55,640</u>	<u>\$ 763,847</u>
Total Liabilities and Fund Balances	<u>\$341,256</u>	<u>\$328,460</u>	<u>\$58,239</u>	<u>\$55,640</u>	<u>\$ 783,595</u>

Amounts reported for Governmental Activities
in the Statement of Net Position are different because:

Total Fund Balance \$ 763,847

Capital Assets used in Governmental Activities are not
financial resources and, therefore, are not reported
in the funds-

Capital Assets 306,501
Less, Accumulated Depreciation (290,531)

Net Position of Governmental Activities \$ 779,817

The accompanying notes are an integral part of this statement.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Revenues, Expenditures and Changes
in Fund Balance-Governmental Funds
June 30, 2013

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue Funds</u>		<u>FINS</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Probation</u>	<u>IV-D</u>	<u>Fund</u>	<u>Funds</u>
		<u>Fund</u>	<u>Collection Fund</u>		
REVENUES:					
Intergovernmental-					
State	\$ 15,262	\$ 1,500	\$ 0	\$29,529	\$ 46,291
Parish	80,441	0	0	0	80,441
Fees & Fines-					
Civil Fees	41,370	0	0	0	41,370
Criminal Court Fees	196,519	126,543	186,608	0	509,670
Miscellaneous-					
Interest	3,569	2,580	28	28	6,205
Other	<u>8,012</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,012</u>
Total Revenues	<u>\$ 345,173</u>	<u>\$130,623</u>	<u>\$ 186,636</u>	<u>\$29,557</u>	<u>\$ 691,989</u>
EXPENDITURES:					
Judicial-					
Auto	\$ 20,900	\$ 0	\$ 0	\$ 0	\$ 20,900
Books & Library	23,663	0	0	0	23,663
Conference & Seminars	47,070	3,221	1,300	0	51,591
Contracted Services,					
Personal Services,					
& Benefits	335,711	71,224	39,953	26,735	473,623
Dues & Subscriptions	923	80	0	185	1,188
Insurance	25,779	0	0	0	25,779
Legal & Accounting	12,250	0	0	0	12,250
Miscellaneous	4,333	1,380	0	0	5,713
Office Supplies	20,039	320	0	774	21,133
Repairs & Maintenance	5,361	7,674	0	0	13,035
Travel	19,815	0	1,729	1,057	22,601
Utilities & Telephone	16,752	1,590	0	1,109	19,451
Capital Outlay	<u>3,986</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,986</u>
Total Expenditures	<u>\$ 536,582</u>	<u>\$ 85,489</u>	<u>\$ 42,982</u>	<u>\$29,860</u>	<u>\$ 694,913</u>
Excess (Deficiency) of Revenues					
over Expenditures	<u>\$(191,409)</u>	<u>\$ 45,134</u>	<u>\$ 143,654</u>	<u>\$ (303)</u>	<u>\$ (2,924)</u>

Continued next page

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Revenues, Expenditures and Changes
in Fund Balance-Governmental Funds
June 30, 2013

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue Funds</u>		<u>FINS</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Probation</u>	<u>IV-D</u>	<u>Fund</u>	<u>Funds</u>
		<u>Fund</u>	<u>Collection Fund</u>		
OTHER FINANCING SOURCES (USES):					
Operating Transfer In	\$ 181,645	\$ 2,200	\$ 0	\$ 0	\$ 183,845
Operating Transfer Out	<u>(2,200)</u>	<u>(50,214)</u>	<u>(130,222)</u>	<u>(1,209)</u>	<u>(183,845)</u>
Total Other Financing	\$ <u>179,445</u>	\$ <u>(48,014)</u>	\$ <u>(130,222)</u>	\$ <u>(1,209)</u>	\$ <u>0</u>
Excess (Deficiency) of Revenues and Other Sources over Expen- ditures and Other Uses	\$ (11,964)	\$ (2,880)	\$ 13,432	\$ (1,512)	\$ (2,924)
Fund Balances- Beginning of Year	<u>333,943</u>	<u>330,869</u>	<u>44,807</u>	<u>57,152</u>	<u>766,771</u>
Fund Balances- End of Year	\$ <u>321,979</u>	\$ <u>327,989</u>	\$ <u>58,239</u>	\$ <u>55,640</u>	\$ <u>763,847</u>

The accompanying notes are an integral part of this statement.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2013

Net Change in Fund Balance-Governmental Funds \$(2,924)

Amounts reported for Governmental Activities
in the Statement of Activities are different because:

Governmental Funds report Capital Outlays as
expenditures. However, in the Statement of
Activities the cost of these assets is allocated over
their estimated useful lives as depreciation expense.
The cost of Capital Assets recorded in the current
period is

3,986

Depreciation expense on Capital Assets is reported
in the Government-wide Financial Statements, but
does not require the use of current financial resources
and is not reported in the Fund Financial Statements.
Current year depreciation expense is

(9,329)

Net Change in Net Position per Statement of Activities

\$(8,267)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2013

Introduction:

The Second Judicial District Court (District Court) of Louisiana is comprised of the parishes of Bienville, Claiborne and Jackson located in north Louisiana. The District Court includes three judges with one judge being designated as the chief judge. The District Court may collect fees on civil suits and criminal cases to aid in the administering of the District Court and of the offices of the individual judges; these fees cannot be used for salaries to the judges. The judges are elected by the qualified electors of the judicial district for a term of six years.

1. Summary of Significant Accounting Policies:

A. Reporting Entity-

Governmental Accounting Standards Board Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. For financial reporting purposes, in conformance with GASB Statement No. 14, the Second Judicial District Court includes all funds that are within the oversight responsibility of the District Court. Oversight responsibility is determined on the basis of appointment of governing body, ability to significantly influence operations, accountability for fiscal matters, and the nature and significance of an organization's relationship with the primary government. Based on consideration of the foregoing criteria, the District Court is deemed to be a separate reporting entity. Certain units of local government over which the District Court exercises no oversight responsibility, such as the parish police jury, parish school board, other independently-elected officials, and municipalities within the three parishes, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the District Court.

B. Basis of Presentation-

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District Court's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2013

C. Fund Accounting-

The accounts of the District Court are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District Court maintains four funds. They are categorized as governmental funds. The emphasis on fund financial statements is on major governmental funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or if its total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The major funds of the District Court are described below:

Governmental Funds-

General Fund

The General Fund is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds-

Probation Fund

Code of Criminal Procedure Article 894 A(1) stated that as of 1989, the Department of Probation and Parole would not supervise probation in misdemeanor cases. Article 894 A(1) authorized the court to place the defendant on probation with a "probation office" designated by the court upon such conditions as the court may fix. Additionally,

Article 895 1(C) of the Code of Criminal Procedure provides for a monthly probation fee to be paid to the agency providing supervision. The Probation Fund was established as the designated "probation office". The Probation Fund accounts for the collection of the monthly probation fees and expenditures of maintaining the probation offices.

IV-D Collection Fund

The IV-D Collection Fund accounts for the collection of a five percent fee assessed on child support payments as provided by Louisiana Revised Statute 46:236.5 and the expenditures related to the establishment, modification, and enforcement of support obligations.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2013

D. Measurement Focus/Basis of Accounting-

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the District Court as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District Court considers all revenues "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

E. Assets, Liabilities, and Equity-

Cash and Interest-Bearing Deposits-

For purposes of the Statement of Net Position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the District Court.

Capital Assets-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District Court maintains a threshold level of \$500 or more for capitalizing capital assets.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2013

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of useful lives by type of asset is as follows:

Fixtures & Equipment	5-7 years
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Equity Classifications-

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted resources first, unless a determination is made to use restricted net resources. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

In the fund statements, governmental fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance - amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;

The Second Judicial District Court
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Notes to Financial Statements
June 30, 2013

- b. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- d. Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance - amounts that are available for any purpose. Only the General Fund would report positive amounts in unassigned fund balance.

The General Fund has an unassigned fund balance of \$321,979. If applicable, the District Court would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

F. Budget-

Prior to the beginning of each fiscal year, the District Court adopts a budget for the General Fund and each Special Revenue Fund for the next fiscal year. The budget is open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budgets are prepared on the modified accrual basis of accounting.

G. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

H. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS-

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011. The adoption of GASB 64 does not have any impact on the District Court's current financial statements.

The Second Judicial District Court
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In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the District Court's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components; assets, deferred outflows of resources, liabilities and deferred inflows of resources. This statement is effective for periods beginning after December 15, 2011.

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011. The District Court does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District Court's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 properly classifies and recognizes certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 although the District Court elected to early implement statement 65 in calendar year 2012. The adoption of GASB 65 does not have any impact on the District Court's financial statements.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2013

2. Cash and Cash Equivalents:

At June 30, 2013, the District Court had cash and cash equivalents with a carrying balance totaling \$754,829 and bank balances totaling \$768,717. Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the District Court. All of the Second Judicial District Court's deposits were not properly secured at June 30, 2013. Of the \$768,717 in bank balances, \$501,572 was secured by federal deposit insurance and \$151,200 was secured by pledged securities. As a result, \$115,945 of bank deposits was unsecured at June 30, 2013. See finding 13-02 on page 37.

3. Compensated Absences:

Employees of the Second Judicial District Court cannot carry leave forward from year to year. Therefore, there is no accrual made for compensated absences.

4. Capital Assets:

Capital Asset balances and activity for the year ended June 30, 2013, is as follows:

<u>Activities</u>	<u>Balance 07-01-12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06-30-13</u>
Capital Assets Depreciated:				
Office Furniture, Fixtures & Equipment	\$302,515	\$ 3,986	\$0	\$306,501
Less, Accumulated Depreciation:				
Office Furniture, Fixtures & Equipment	<u>281,202</u>	<u>9,329</u>	<u>0</u>	<u>290,531</u>
Net Capital Assets	<u>\$ 21,313</u>	<u>\$(5,343)</u>	<u>\$0</u>	<u>\$ 15,970</u>

Depreciation expense of \$9,329 was charged to the Judicial function.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2013

5. Pension Plan:

Louisiana State Employees' Retirement System (LASERS)

Plan Description. All full-time administrative employees are required to participate in the System. Excluded by law are independent contractors and certain other non-employee relationships. Participants who retire at the following ages, after the stated years of creditable service, are entitled to a retirement benefit as calculated by the LASERS benefit formula:

At any age	after 30 years of creditable service
At age 55	after 25 years of creditable service
At age 60	after 10 years of creditable service
At age 50	with 10 years, if retiring from a position which is being eliminated

Additionally, participants may retire with 20 years of service credit at any age with actuarially reduced benefits. LASERS benefit formula is designed so a retiree receives a maximum retirement benefit equal to 2.5% of their final average compensation for every year of creditable service; an additional \$300 is applied if a participant joined LASERS before July 1, 1986. Benefits may not exceed 100% of final average compensation. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

The System also provides death and disability benefits. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employee's Retirement System, P. O. Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Funding Policy. Plan members are required to contribute 7.5 percent of their annual covered salary and the Second Judicial District Court is required to contribute at an actuarially determined rate. The current rate is 29.1 percent of annual covered payroll. The contribution requirements of plan members and the Second Judicial District Court are established and may be amended by state statute. As provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Second Judicial District Court's contributions to the System for the years ending June 30, 2013, 2012 and 2011, were \$60,092, \$54,605, and \$56,496, respectively, equal to the required contributions for each year.

The Second Judicial District Court Judges are members of the Louisiana State Employees' Retirement System. Judges of the District Court are paid directly by the state and the state pays the employer contribution on their behalf. For that reason, contributions made on behalf of the judges are not included in the amounts referenced in the above paragraph. Additionally, any variances, if any, in "Plan Description" or "Funding Policy" are not included in this note.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2013

6. Expenditures of the Judicial District Not Included in the Accompanying Financial Statements:

The accompanying financial statements do not include certain salary or administrative expenditures for the District Court paid out of the funds of the Bienville, Claiborne or Jackson Parish Police Juries or directly by the State.

7. Litigation:

Management has advised that there is no litigation pending against the Second Judicial District Court at June 30, 2013.

8. Interfund Transfers:

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

The following is a summary of interfund operating transfers:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$181,645	
Special Revenue Funds-		
Probation	2,200	
General Fund		\$ 2,200
Special Revenue Funds-		
FINS Fund		1,209
Probation		50,214
IV-D Collection Fund		<u>130,222</u>
Totals	<u>\$183,845</u>	<u>\$183,845</u>

Transfers are primarily used to move funds from the Special Revenue Funds to the General Fund so that excess revenues can be used for governmental services.

9. Subsequent Events:

Management has evaluated events through December 11, 2013, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED
SUPPLEMENTAL INFORMATION

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental-				
State	\$ 0	\$ 0	\$ 15,262	\$ 15,262
Parish	80,000	80,000	80,441	441
Fees & Fines-				
Civil Fees	40,000	40,000	41,370	1,370
Criminal Court Fees	201,000	201,000	196,519	(4,481)
Miscellaneous-				
Interest	3,500	3,500	3,569	69
Other	<u>15,000</u>	<u>15,000</u>	<u>8,012</u>	<u>(6,988)</u>
Total Revenues	<u>\$ 339,500</u>	<u>\$ 339,500</u>	<u>\$ 345,173</u>	<u>\$ 5,673</u>
EXPENDITURES:				
Advertising	\$ 750	\$ 750	\$ 864	\$ (114)
Association Dues	1,500	1,500	923	577
Auto Expenditures	20,000	20,000	20,900	(900)
Contracted Services	8,000	8,000	5,148	2,852
Court Reporters	15,000	15,000	13,163	1,837
Court Reporters-Supplies	1,500	1,500	271	1,229
Insurance	25,500	25,500	25,779	(279)
Judicial Per Diem	13,000	13,000	8,291	4,709
Legal & Accounting	20,000	20,000	12,250	7,750
Periodicals & Library	37,000	37,000	23,663	13,337
Office Supplies	15,000	15,000	13,565	1,435
Miscellaneous	1,500	1,500	743	757
Payroll Taxes	2,500	2,500	2,027	473
Repair & Maintenance	5,000	5,000	5,361	(361)
Retirement	51,000	51,000	60,092	(9,092)
Salaries	240,000	240,000	255,118	(15,118)
Seminars/Conventions	30,000	30,000	47,070	(17,070)
Supplies	8,000	8,000	6,474	1,526
Travel	25,000	25,000	11,524	13,476
Taxes & Licenses	1,500	1,500	2,618	(1,118)
Utilities & Telephone	18,000	18,000	16,752	1,248
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>3,986</u>	<u>46,014</u>
Total Expenditures	<u>\$ 589,750</u>	<u>\$ 589,750</u>	<u>\$ 536,582</u>	<u>\$ 53,168</u>

Continued next page

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
(Deficiency) of Revenues over Expenditures	<u>\$(250,250)</u>	<u>\$(250,250)</u>	<u>\$(191,409)</u>	<u>\$ 58,841</u>
OTHER FINANCING SOURCES (USES):				
Transfer from Probation	\$ 15,000	\$ 45,000	\$ 50,214	\$ 5,214
Transfer to Probation	0	0	(2,200)	(2,200)
Transfer from FINS	0	0	1,209	1,209
Transfer from IV-D	<u>130,000</u>	<u>130,000</u>	<u>130,222</u>	<u>222</u>
Total Other Financing	<u>\$ 145,000</u>	<u>\$ 175,000</u>	<u>\$ 179,445</u>	<u>\$ 4,445</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$(105,250)</u>	<u>\$ (75,250)</u>	<u>\$ (11,964)</u>	<u>\$ 63,2846</u>
Fund Balance-Beginning of Year	<u>333,943</u>	<u>333,943</u>	<u>333,943</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 228,693</u>	<u>\$ 258,693</u>	<u>\$ 321,979</u>	<u>\$ 63,286</u>

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
Probation Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fees, Charges, and				
Commissions for Services	\$ 95,000	\$ 95,000	\$126,543	\$31,543
Miscellaneous	<u>2,800</u>	<u>2,800</u>	<u>4,080</u>	<u>1,280</u>
Total Revenues	\$ 97,800	\$ 97,800	\$130,623	\$32,823
EXPENDITURES:				
Judicial	<u>95,200</u>	<u>95,200</u>	<u>85,489</u>	<u>9,711</u>
Excess of Revenues over Expenditures	\$ <u>2,600</u>	\$ <u>2,600</u>	\$ <u>45,134</u>	\$ <u>42,534</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	\$ 0	\$ 0	\$ 2,200	\$ 2,200
Transfer to General Fund	<u>(15,000)</u>	<u>(45,000)</u>	<u>(50,214)</u>	<u>(5,214)</u>
Total Other Financing	\$ <u>(15,000)</u>	\$ <u>(45,000)</u>	\$ <u>(48,014)</u>	\$ <u>(3,014)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ (12,400)	\$ (42,400)	\$ (2,880)	\$39,520
Fund Balance-Beginning of Year	<u>330,869</u>	<u>330,869</u>	<u>330,869</u>	<u>0</u>
Fund Balance-End of Year	<u>\$318,469</u>	<u>\$288,469</u>	<u>\$327,989</u>	<u>\$39,520</u>

See accountant's report.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
IV-D Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Budget Amounts</u> <u>Original/Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Fees, Charges, and			
Commissions for Services	\$ 170,000	\$186,608	\$16,608
Miscellaneous	<u>50</u>	<u>28</u>	<u>(22)</u>
Total Revenues	<u>\$ 170,050</u>	<u>\$186,636</u>	<u>\$16,586</u>
EXPENDITURES:			
Judicial	\$ 46,200	\$ 42,982	\$ 3,218
Capital Outlay	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Expenditures	<u>\$ 56,200</u>	<u>\$ 42,982</u>	<u>\$13,218</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 113,850	\$143,654	\$29,804
OTHER FINANCING SOURCES (USES):			
Transfer to General Fund	<u>\$(130,000)</u>	<u>\$(130,222)</u>	<u>\$ (222)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Sources	\$ (16,150)	\$ 13,432	\$29,582
Fund Balance-Beginning of Year	<u>44,807</u>	<u>44,807</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 28,657</u>	<u>\$ 58,239</u>	<u>\$29,582</u>

See accountant's report.

OTHER SUPPLEMENTARY INFORMATION

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Nonmajor Fund
FINS Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Budget Amounts</u> <u>Original/Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental	\$ 28,000	\$29,529	\$ 1,529
Interest	<u>500</u>	<u>28</u>	<u>(472)</u>
Total Revenues	<u>\$ 28,500</u>	<u>\$29,557</u>	<u>\$ 1,057</u>
EXPENDITURES:			
Judicial	\$ 34,650	\$29,860	\$ 4,790
Capital Outlay	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Expenditures	<u>\$ 39,650</u>	<u>\$29,860</u>	<u>\$ 9,790</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (11,150)</u>	<u>\$ (303)</u>	<u>\$10,847</u>
OTHER FINANCING SOURCES (USES):			
Transfer to General Fund	<u>0</u>	<u>(1,209)</u>	<u>(1,209)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ (11,150)</u>	<u>\$ (1,512)</u>	<u>\$ 9,638</u>
Fund Balance-Beginning of Year	<u>57,152</u>	<u>57,152</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 46,002</u>	<u>\$55,640</u>	<u>\$ 9,638</u>

See accountant's report.

OTHER REPORTS

Johnson, Thomas & Cunningham

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Jenifer Clason, Chief Judge
The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Second Judicial District Court's (District Court) basic financial statements and have issued our report thereon dated December 11, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings as item 13-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings as items 13-02 and 13-03.

Second Judicial District Court Response to Finding

The District Court's response to the finding identified in our audit is described in the accompanying schedule of audit findings. The District Court's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 11, 2013
Natchitoches, Louisiana

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Schedule of Audit Findings
Year Ended June 30, 2013

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of the Second Judicial District Court as of and for the year ended June 30, 2013.
2. The audit disclosed one significant deficiency in internal control, and this deficiency was not determined to be a material weakness.
3. The audit disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following findings relate to the financial statements and are required to be reported in accordance with *Government Auditing Standards*:

Compliance-

Internal Control-

13-01 Segregation of Duties

Criteria - The District Court's office should have employees available to execute the ongoing duties related to financial matters.

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements including the related note disclosures.

Effect - Intentional or unintentional errors could be made and not detected within the accounting system.

Cause - Due to a lack of funds, District Court's office does not have a sufficient number of employees to adequately separate accounting duties or to prepare the District Court's annual financial statements with related note disclosures.

Recommendation - Since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Schedule of Audit Findings
Year Ended June 30, 2013

Management's Response - It is not economically feasible to add a sufficient number of employees to adequately segregate accounting duties. In addition, we have evaluated the cost/benefit of establishing a system to prepare our annual financial statements and have determined that it is in the best interest of the District Court to have our independent auditors prepare our annual financial statements. We understand that we should review the financial statements and notes and accept responsibility for their contents and presentation.

Compliance-

13-02 Cash Balance Unsecured

Criteria - Louisiana state law requires that all funds held by banks for an entity must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the FDIC insurance must at all times equal or exceed the amount on deposit with the bank.

Condition - The cash balance in the bank was not fully secured by FDIC or pledged securities.

Effect - If the bank were to fail, then the District Court's funds in excess of FDIC insurance and pledged securities could be lost.

Cause - The District Court and the bank did not monitor the bank balances to ensure the balances were not in excess of FDIC Insurance and pledged securities.

Recommendation - The District Court should ensure at all times that their financial institution has their funds fully secured by FDIC insurance and pledged securities. The funds were secured at the date of the audit report.

Management's Response - The District Court will ensure at all times that our financial institution has fully secured the necessary funds by the FDIC insurance and pledged securities.

13-03 Excessive Lodging Expenditures

Criteria - The Supreme Court of the State of Louisiana determines reimbursement rates for lodging to meet the standard of reasonableness for the judges of the District Courts.

Condition - The District Court has a travel policy applicable to the judges that conforms to the Supreme Court General Administrative Rules, but there is no travel policy for the staff. During our test of travel expenditures, we noted instances in which some of the judges were provided lodging in excess of the travel policy. We also noted that staff members were provided with lodging in excess of the allowable rate for the judges.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Schedule of Audit Findings
Year Ended June 30, 2013

Effect – The District Court had expenditures which were in excess of the Supreme Court General Administrative Rules.

Cause – There was not a travel policy in accordance with the Supreme Court.

Recommendation – The District Court should comply with the lodging limits set forth by the Supreme Court for the judges and implement a travel policy for staff members which sets forth a standard of reasonableness.

Management's Response – Upon notification of this finding, the excess lodging expenditures have been refunded and the judges, en banc, have approved a staff travel policy that follows the Louisiana Supreme Court Order, issued on November 25, 2013, a copy of which is attached hereto, titled "Travel Expenses of Judges for Meetings", to assure that reimbursement of travel expenses of members of the staff of the Second Judicial District Court is not less restrictive than the reimbursement allowed for judges.

III. PRIOR YEAR AUDIT FINDINGS

Compliance-

12-01 Compliance with Local Government Budget Act

Finding – Actual expenditures exceeded budgeted expenditures by more than the 5% allowance in the Probation Fund.

Current Status – This condition was cleared at June 30, 2013.

SUPREME COURT OF LOUISIANA

ORDER

Acting in accordance with Article V, Sections 1 and 5 of the Louisiana Constitution of 1974, and the inherent power of this Court, and considering the need to amend Part G, Sections 1(b)(ii) and (iii) of the General Administrative Rules for all Louisiana Courts,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

Section 1. Travel Expenses of Judges for Meetings.

(b) Travel Expenses for Meetings. Whenever a judge, as defined in this section, requests reimbursement of or payment for travel expenses incurred or to be incurred in attending a meeting, as defined in this section, from any source of public funds, as defined in this section, the amount of reimbursement or payment shall be limited according to the following provisions:

(ii) Lodging. Reimbursement or payment from any public funds for lodging expenses for meetings must be supported by an original receipt, under the following rules:

(a) A judge shall be entitled to reimbursement or payment from public funds for lodging expenses when attending a meeting outside of a fifty (50)

mile radius from his or her respective court. For purposes of determining eligibility for lodging expenses, a district court judge in a multiparish judicial district is eligible for reimbursement if the courthouse located farthest away from the meeting site exceeds fifty miles.

(b) Except as provided in Section 1(b)(ii)(d), reimbursement or payment from any public funds for a judge's lodging while attending a meeting shall be limited to the special group rate charged at the hotel of the meeting site. If lodging at the special group rate at the hotel of the meeting site is not available, the amount of reimbursement shall be based on reasonableness. Reimbursement for lodging without adequate supporting documentation, as required by the IRS, shall be made at a rate not to exceed the applicable IRS Federal Lodging Rate. When appropriate, the hotel charge for automobile parking shall also be reimbursable.

(c) Reimbursement or payment from any public funds for lodging expenses shall be limited to expenses incurred during the official days, including the closing day, that the meeting is held, plus one day of lodging for early arrival. Lodging expenses incurred beyond official meeting days, plus one day for early arrival, shall be reimbursed on cost-

efficiency basis only when the request includes documentation that the extended stay resulted in a saving of public funds.

- (d) On an annual basis, the Supreme Court shall set the reimbursable rate for lodging for both the Louisiana Judicial College/Louisiana State Bar Association Joint Summer School and Annual Meeting. Such rate shall be promulgated as a maximum daily rate, with an aggregate limit based on the number of days of lodging permitted in accordance with Section (b)(ii)(c) above. Lodging reimbursements shall be based on actual costs incurred, but under no circumstance shall a judge receive a daily lodging reimbursement in excess of the daily rate set by the Supreme Court. In accordance with Article 7, Section 14 of the Louisiana Constitution and Section (b)(ii)(b) above, the maximum daily rate promulgated shall be based on the standard of reasonableness.

(iii) Meals, Tips and Miscellaneous Expenses.

A judge shall be entitled to reimbursement or payment from public funds for meals, tips and miscellaneous expenses when attending a meeting outside of a fifty (50) mile radius from his or her respective court. For purposes of determining eligibility for meals, tips and miscellaneous expenses, a district court judge in a multiparish judicial district is eligible for reimbursement if the courthouse located farthest away from the

meeting site exceeds fifty miles. Reimbursement or payment from any public funds of meals, tips and miscellaneous expenses shall be limited either to the flat per diem rate promulgated annually and approved by the Supreme Court, or to the actual and reasonable cost of such expenditures which are supported by an original receipt, not to exceed the per diem rates. On or about January 15 of each year, the Judicial Administrator shall mail to every judge the flat per diem and partial per diem rates approved by the Supreme Court for the year.

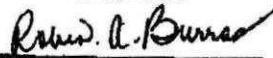
In accordance with Internal Revenue Service regulations, payments of per diem for travel that does not require an overnight stay will be reported to the IRS as income on form W-2 or 1099 on a calendar year basis. Payments of per diem in excess of IRS Federal Standard Rates will be reported to the IRS as income on form W-2 or 1099 on a calendar year basis if and as required by the Internal Revenue Service.

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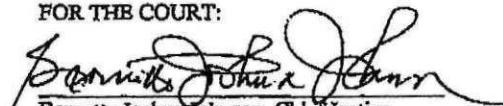
This order shall become effective upon signing and shall remain in full force and effect thereafter, unless amended through future Orders of the Court.

New Orleans, Louisiana, this 25th day of November, 2013.

SUPREME COURT OF LOUISIANA
A TRUE COPY


Robin A. Buras
Deputy Clerk of Court

FOR THE COURT:


Bernette Joshua Johnson, Chief Justice